

## Case Study Cyberco

In probably the most infamous of his receivership cases, Daniel Yeomans and his team of specialists were called upon to takeover business operations and protect the interests of creditors in a more than \$150 million scam that would ultimately become an episode of CNBC's "American Greed" national television show.

In November 2004, Yeomans was named the court appointed receiver of Cyberco Holdings Inc., Teleservices Group Inc., and more than a dozen other shell entities to take control of all the assets for the benefit of creditors. Just a few days before Yeomans' appointment, the FBI, IRS and US Post Office Inspector General raided Cyberco's facilities in Grand Rapids as part of a criminal investigation into suspected bank fraud. A major lender discovered that Cyberco was using business fronts to give the appearance that it purchased over \$100 million in computer servers and other tangible assets for the Ponzi scheme purported to be a web hosting and information technology business. Investigators found that Cyberco's facilities were filled with empty computer server boxes adorned with blinking lights that were void of any hardware or computer chips. Furniture and other equipment either did not exist or were leased multiple times.

The mastermind behind the scam, Barton H. Watson, leased a Bentley, Ferrari, Rolls Royce and other expensive cars and purchased original artwork to decorate ostentatious offices that featured oriental rugs, carved furniture, a fireplace and crystal chandeliers. Watson and his wife lived a lavish lifestyle of gourmet foods and fine wines in a home valued at more than \$750,000.

Yeomans' task of sorting out the Cyberco puzzle was further complicated when Watson committed suicide and the other individuals knowledgeable of Cyberco's operations remained uncooperative. To maximize the return to creditors, Yeomans' team had to work swiftly to identify any legitimate operations of Cyberco that could maintain some value as a going concern, locate and obtain control over any liquid or easily moveable assets of the Cyberco entities and deal with a work force of approximately 120 employees in offices around the world including, London, Sydney, Hong Kong, Chicago, Las Vegas, Jacksonville, and the headquarters in Grand Rapids. Yeomans' team immediately reduced the workforce to all but 8 employees who were necessary to preserve the value of any going concerns and the recovery of tangible assets.

Within 3 days of appointment, Yeomans then successfully petitioned the court to extend his authority over a total of 16 additional entities and Watson's estate and the accounts of his wife and another officer. It soon became clear that Cyberco didn't possess any legitimate going concerns that were worth recovering. The investigation did, however, indicate that Watson, his wife and another top officer of Cyberco received substantial proceeds from the fraud.

In a matter of 6 weeks, Yeomans' team successfully secured millions of dollars in tangible assets -- everything from a wine collection valued at more than \$100,000 to a warehouse full of computer servers -- and nearly \$2 million in cash. As receiver Yeomans filed Chapter 7 Bankruptcy petitions on the appropriate entities to place the assets under the control of the Federal Bankruptcy Court where legal issues related to preferential claims continued to be addressed through 2010. CNBC's "American Greed" national television show aired an episode called "Fraud in Cyberspace" on Watson's scam and its aftermath.



- 150 Million Fraud
- Global Search
- 120 Employees
- 6 Weeks Securing Millions